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UNCLAS SECTION 01 OF 03 MAPUTO 001502

SIPDIS

STATE FOR AF/S - HTREGER

STATE PLEASE PASS USTR FOR PATRICK COLEMAN

USDOC FOR RTELCHIN

PRETORIA FOR USDA/FAS

E.O. 12958: N/A

TAGS: [ETRD](#) [EAGR](#) [ECON](#) [MZ](#)

SUBJECT: MOZAMBIQUE - REQUEST FOR TARIFF RATE QUOTA FOR TOBACCO

1. This is an action request for USTR. See para 3.

2. Below is the text of correspondence received October 14 from the International Relations Directorate of the Ministry of Industry and Trade, in which the GRM requests that it be allowed to export tobacco to the United States under the tariff rate quota system.

Begin Text:

Dear Ambassador,

Mozambique has an interest in exporting processed tobacco products to the United States. However, the United States currently has a tariff rate quota (TRQ) on those processed tobacco products that Mozambique will be producing. We are kindly requesting your assistance in helping us enter into bilateral discussions with the United States to see if there is any possibility of obtaining TRQ for tobacco processed in Mozambique.

As you are well aware, exports are of critical importance for Mozambique. They will assist in creating jobs, improving our economic growth and reducing poverty in our country. One area that we feel there is substantial possibility to export is in tobacco.

Tobacco production started in Mozambique in the early 1990s and is bringing far-reaching change to parts of the central-northern provinces by dramatically improving household incomes and introducing modern production techniques that are then transferred to other crops. Approximately 128,000 farms depend on tobacco production (see table 1).

TABLE 1

Distribution of Tobacco Production by Province and Company  
Province Company Number of Farmers

Niassa JFS 27,303

STANCOM 7,510

Cabo Delgado JFS, CANAM 2,050

Nampula JFS 12,000

SONIL 8,000

Zambezia JFS 10,156

STANCOM 8,500

Tete MLT 39,000

DIMON 4,464

Manica MLT, STANCOM,

DIMON, TABACO, 9,000

DE MOCAMBIQUE

Sofala DIMON 791

Gaza JFS 22

Source: Ministry of Agriculture and Rural Development

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Mozambique currently does not have the capacity to process tobacco beyond the burley and flue-cured stages; thus, tobacco is exported raw to Malawi and Zimbabwe for processing before being re-exported for final manufacture. There are a few companies that are investing millions of dollars to create tobacco-processing plants in Northern and Central Mozambique. On such factory will begin operations in June 2005 and will have an initial capacity of 37,000 tons, expandable up to 52,000 tons by 2007. This 50 million dollar investment is expected to create approximately 1,500 jobs, bring significant value-adding advantages and eliminate dependence on the uncertain trade flows with Malawi that currently beset the industry.

In order to ensure the viability of investors that are creating tobacco-processing plants in Mozambique, bringing much needed capital and jobs to the country, we feel that tobacco TRQ into the United States is necessary.

Our analysis shows that in 2001, over 57,000 Metric Tons of US tobacco TRQ was left unfilled. In 2002, approximately 34,000 Metric Tons of TRQ was left unfilled. And in 2003, there was approximately 16,000 Metric Tons of tobacco TRQ left unfilled (see Table 2). A significant portion of this is unused TRQ from Zimbabwe. In 2001, Zimbabwe did not use 6,704 Metric Tons of their quota. Zimbabwe's unused quota has continued to increase since 2001, reaching 7,067 Metric Tons in 2002 and 7,331 Metric Tons in 2003. Given the political and economic hardships in Zimbabwe, we feel the unused TRQ in Zimbabwe will continue to rise over the years.

TABLE 2

Unused TRQ (Metric Tons) 2001 2002 2003

Total Unused TRQs 57,044 28,136 8,911

Of Which is Unused EC TRQ 4,763 5,449 6,492

Other Unused TRQ -4,246 470 574

Total Unused TRQs 57,044 34,055 15,977

(Comment: Post cannot reconcile the numbers in this table. End comment.)

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REQUESTS FROM MOZAMBIQUE TO THE UNITED STATES

Given this background, Mozambique kindly requests the following:  
-- To enter into bilateral discussions with the United States on Tobacco (specifically those products listed in Table 3).

-- To understand in greater detail how to obtain part of the 3,000 Metric Tons of TRQ that falls in the "Other" category, and if necessary, to receive assistance to export tobacco under this "Other" TRQ category.

-- To explore the opportunities of redistributing unused Tobacco TRQ to eligible least-developed countries (LDCs) like Mozambique, perhaps through new rules that require unused quota to be redistributed.

-- To explore the opportunities of increasing the present TRQ of 150,000 metric tons by about 20 percent and setting aside this increase to new LDC-tobacco producers, like Mozambique.

-- To explore the opportunities of eliminating the TRQ altogether for certain LDCs that meet certain eligibility (perhaps similar to that of the Millennium Challenge Corporation, of which Mozambique is a potential beneficiary).

TABLE 3

Harmonized System (HS) Tobacco Products in which Mozambique Request TRQ

HS NUMBER HS DESCRIPTION

2401.10.63 Tobacco, not stemmed or stripped, not or not over 35 percent wrapper tobacco, flue-cured burley, etc., described in additional US note 5 to chap 24

2401.20.33 Tobacco, partly or wholly stemmed/stripped, n/threshed or similarly n/threshed or similarly proc, not or n/over 35 percent wrapper, des. in addl US note 5 to ch. 24

2401.20.85 Tobacco, partly or wholly stemmed/stripped, n/threshed or similarly processed, not from cigar leaf, described in addl US note 5 to chap 24 (eligible under AGOA)

2401.30.33 Tobacco refuse, from other tobacco, for cigarettes, described in addl US note 5 to chap 24, tobacco stems, not cut, ground or pulverized

2401.30.35 Tobacco refuse, from other tobacco, for cigarettes, described in addl US note 5 to chap 24, tobacco stems, cut, ground or pulverized

2401.30.37 Tobacco refuse, from other tobacco, for cigarettes, described in addl US note 5 to chap 24, not tobacco stems

2403.10.60 Smoking tobacco, whether or not containing tobacco substitutes, other, to be used in cigarettes, described in addl US note 5 to chap 24

2403.91.45 "Homogenized" or "reconstituted" tobacco, not suitable for use as wrapper tobacco, to be used in cigarettes, des. in addl US note 5 to chap

2403.99.60 Other manufactured tobacco, tobacco substitutes, tobacco extracts or Essences, to be used in cigarettes, described in addl US note 5 to chap

Your assistance would be greatly appreciated.

Sincerely,

Luis Eduardo Siteo

National Director

End Text.

13. Action Request: Post requests guidance from USTR on how to respond to this request from the Mozambican government.

LA LIME